



**DEPARTMENT OF INSURANCE
STATE OF ARIZONA**

Financial Affairs Division - Compliance Section
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AUDITED FINANCIAL REPORT FILING REQUIREMENT GUIDELINES FOR EXEMPTIONS

An annual audited financial report is required to be filed on or before June 1 as a supplement to the Annual Statement. The National Association of Insurance Commissioners (NAIC) Annual Statement Instructions currently serve as the general filing guidelines and standards, including provisions for exemption or filing extension. Please review the following types of exemptions available and use only the one exemption provision that applies to your company:

AUTOMATIC EXEMPTION

The NAIC Instructions include an "automatic" exemption for any insurer having....

- a) less than 1,000 policyholders **OR** certificate holders of directly written policies **nationwide** at the end of the calendar year, **AND**
- b) less than \$1 million direct premiums written in the calendar year period, **AND**
- c) Less than \$1 million assumed premiums* pursuant to contracts and/or treaties of reinsurance.

*Insurers filing the (yellow) Property and Casualty Annual Statement - Use the sum of Annual Statement Page 8, Line 34, Columns 1, 2 and 3.

*Insurers filing the (orange) Health Annual Statement – Use Page 8, Line 15, Column 1 and 2.

This Department does not require companies qualified for the "automatic" exemption to request its approval however, a written notification of your exempt status is requested.

The Department may require a company that qualifies for this exemption to file annual audited financial reports.

ARIZONA COMPANY ORGANIZATIONAL HARDSHIP EXEMPTION

A standardized Organizational Hardship Exemption is available to insurers domiciled and licensed in Arizona only. Instructions and guidelines for this exemption are available to insurers **who do not qualify for an "automatic" exemption and meet ALL of the criteria** set forth in the Organizational Hardship Exemption Guidelines Form E-AFR.OHE.

An affidavit (sample provided) attesting to the insurer's qualifications **is required to be filed with a letter** requesting this exemption, directed to the attention of Ms. Rose McNabb, Compliance Section Supervisor no later than **March 31**. **Do not mail these materials with the Annual Statement.**

OTHER HARDSHIP EXEMPTIONS

An insurer that does not meet the criteria set forth in the above guidelines may still apply for an exemption by submitting to the Department a letter requesting an organizational or financial hardship exemption and an affidavit signed by an officer of the company avowing to the facts which create the hardship. The Department shall advise the insurer as to whether the application is granted or denied.

All correspondence concerning audited financial report filing requirements and exemptions should be directed to the Financial Affairs Division, Attn: Ms. Rose McNabb, Compliance Section Supervisor. **Do not mail correspondence pertaining to your Audited Financial Report filing requirement within your Annual Statement filing envelope.**